

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF TUCSON, ARIZONA

**Minutes of the Special Meeting
of the Board of Directors**

May 28, 2015

3:00 P.M.

at the

Ward VI Council Offices - East Conference Room

3202 East First Street

Tucson, Arizona 85719

Present: **Board Members** Marilyn Robinson
Gary Bachman
Emily Nottingham
Judy Clinco
Larry T. Lucero
Evelia Martinez (left at 4:30 p.m.)
Adam Weinstein (arrived 3:05 p.m. left at 3:40 p.m.)

Staff Charles Lotzar, Lotzar Law Firm, PC
Gary Molenda, Business Development Finance Corporation
Karen Valdez, Business Development Finance Corporation
Gabriel Gomez, Business Development Finance Corporation

Guests Wiley Cornell, El Presidio Neighborhood Association
Andy Squire, City of Tucson

The Special Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona (the “**Authority**”) was held on **May 28, 2015**, at the Ward VI Council Office - West Conference Room, **3202** E. First Street, Tucson, Arizona. All Authority’s Board Members and the general public were duly notified of the meeting. C. Lotzar had informed the Authority’s Board of Directors that Arizona’s Open Meeting Laws allow for members of the Authority’s Board of Directors and legal counsel to appear and participate in the meeting telephonically so long as all participants in the meeting can hear and be heard.

ITEM	ACTION TAKEN/TO BE TAKEN
1. Call to Order The meeting was called to order by Marilyn Robinson, with a quorum present.	The meeting was called to order at 3:02 p.m.
2. Request for resolution to approve the minutes of the Regular Meeting of April 9, 2015.	A MOTION was made and seconded (L. Lucero / J. Clinco) to approve the meeting minutes of the April 9, 2015 Regular Meeting as presented. Approved 6-0.
3. Request for resolution to approve the payment of invoices and the notification of items to be paid on the Authority’s behalf by third parties.	A MOTION was made and seconded (E. Martinez / L. Lucero) to approve payment of invoices and notification of items to be paid as presented. Approved 7-0.
4. \$7,940,000 The Industrial Development Authority of the City of Tucson, Arizona Education Revenue Bonds, Series 204A and \$770,000 the Industrial Development Authority of the City of Tucson, Arizona Education Revenue Bonds, Taxable Series 2004A-T - request for resolution authorizing the execution and delivery of an Acknowledgement & Consent to the refunding of the Bonds. C. Lotzar reported that Arizona Agribusiness and Equine Center (“ AAEC ”) will be	A MOTION was made and seconded (G. Bachman / E. Martinez) to approve the execution and delivery of the Acknowledgement & Consent to the refunding of the Bonds as presented. Approved 7-0.

<p>refunding the outstanding Education Revenue Bonds (Arizona Agribusiness and Equine Center, Inc. Project) Series 2004 originally issued by the Authority. AAEC began using the Yavapai IDA as the issuer of their bonds in 2011 and 2012, but issued them under the original indenture and are required to obtain the consent of the Authority each time they issue bonds. Upon the issuance of the Series 2015 Bonds, all of the original Tucson IDA Bonds will be retired. As such, Amended & Restated documents eliminate the Authority's duties and obligations going forward. Mr. Lotzar stated that an Acknowledgement & Consent to the refunding of the Bonds is requested by the Borrower. Brief discussion ensued and it was the consensus of the Authority to approve the Acknowledgement and Consent to the refunding of the Bonds.</p>	
<p>5. Status Report and recommendation of the Loan Review Committee regarding a loan request from Business Development Finance Corporation ("BDFC") for a participation agreement with BDFC in an amount not to exceed \$150,000 related to BDFC's loan to CB Real Estate Investments, LLC, an Arizona limited liability company and request for all actions related thereto.</p> <p>E. Martinez, Chair of the Authority Loan Review Committee ("Committee") stated that the Committee met on Thursday, May 7, 2015 to review a loan participation request received from Business Development Finance Corporation ("BDFC").</p> <p>G. Gomez, BDFC Business Development Officer reviewed the credit memorandum to the Authority with an overview as follows:</p> <ul style="list-style-type: none"> • Total BDFC Loan Amount: \$300,000 with request to the Authority for 50% loan participation. • Term: 10 year Term - 20 year Amortization. • Interest Rate: 5% (subject to change), (4% net of 100 basis point servicing fee to BDFC). • Purpose: to acquire and renovate a 2-story 14, 738 square foot building. • Basis of eligibility: Section 3(a) of Loan Policy - Economic Development - Job Creation: 25 FTE. • Collateral: 2nd lien on commercial building. <p>Mr. Gomez stated that the Borrower dba Desert Horizons Communities ("DHC") provides residential care, respite care, day programming, and summer programming for adolescents and adults with developmental disabilities including autism epilepsy, cerebral palsy and cognitive disorders. Services can be in a home environment, in the community, or a combination of the two. DHC handles some of the hardest individuals to care for. Many of them have either been kicked out of other programs or are not accepted by other companies due to their behaviors or high degree of needs.</p> <p>Licensing requirement: the State of Arizona Division of Developmental Disabilities will do a life safety inspection after the building is ready for occupancy. No specific licensing is required since the company is already a Qualified Vendor with the State. It was noted that there have been no issues in the past 3 years.</p> <p>The market includes the Tucson metro area and Pima County. Other service providers in the area provide the group home service, but few provide the day care program and some of the other services offered by DHC.</p> <p>Mr. Gomez discussed:</p> <ul style="list-style-type: none"> • Management. 	<p>A MOTION was made and seconded (E. Nottingham / L. Lucero) to:</p> <p>1) approve participation in a BDFC loan to CB Real Estate Investments, LLC in the form of Participation Agreement with BDFC, in an amount not to exceed \$150,000; and</p> <p>2) cover the gap in the Community Loan Funds from the Authority's General Fund.</p> <p>Approved 7-0.</p>

<ul style="list-style-type: none"> Analysis and comments regarding the business financial statements (Balance Sheet, Profit & Loss Statement, and Statement of Cash Flow including Debt Service Coverage). <p>Risks and Strengths were discussed noting that there is risk of cut backs by the State. It was noted that there have been prior State cuts and therefore they have been accounted for in the financial model. It was noted that this is a good business, good for the community, and a much needed service.</p> <p>Ms. Martinez stated that it is the recommendation of the Committee to approve participation in the loan as presented including the form of Participation Agreement with BDFC. It was noted that the Community Loan Fund Balance as of April 30, 2015 was \$92,017 and therefore requested that the gap in funds needed to fund this loan be covered by funds from the Authority's general fund.</p> <p>Mr. Lotzar stated that, as in the past related to the Authority's direct lending program and participation loans with BDFC, he did not participate in this loan or its documentation. Rather, BDFC handled all aspects of the loan and he was not concerned given BDFC's track record and expertise in this area.</p>	
<p>6. Status Report and request for resolution authorizing an amendment to the participation agreement with BDFC in an amount not to exceed \$25,000 related to BDFC's loan to Gibson's Market, LLC, and for all actions related thereto.</p> <p>E. Martinez stated that through BDFC, the Authority has received a request from Gibson's Market, LLC for an additional amount of \$25,000 to increase the existing the Authority's loan amount to \$75,000. The increase is requested to cover cost overruns which have delayed the opening that was to occur December 2014.</p> <p>G. Gomez stated that the original Business Development Finance Corporation ("BDFC") loan was \$100,000 with 50% loan participation from the Authority. The additional request for \$50,000 would also be 50% loan participation requiring an amendment to the existing Participation Agreement between BDFC and the Authority. It was noted that the majority Lender on this loan is Alliance Bank. Mr. Gomez discussed the nature of the cost overruns.</p> <p>Discussion ensued and included:</p> <ul style="list-style-type: none"> Delay in opening (some due to lending and infrastructure changes). Viability of management. Opening during summer which is considered to be slow months. <p>It was the consensus of the Authority to authorize an amendment to the participation agreement with BDFC approving an additional \$25,000 to the existing loan contingent on approval by BDFC's Loan Review Committee and receipt of an updated credit memorandum. It was noted that additional funds will be covered by the Authority's general fund.</p> <p>Mr. Lotzar stated that, as in the past related to the Authority's direct lending program and participation loans with BDFC, he did not participate in this loan or its documentation. Rather, BDFC handled all aspects of the loan and he was not concerned given BDFC's track record and expertise in this area.</p> <p>M. Robinson asked that the Loan Review Committee provide a recommendation for any required revisions to the Community Loan Fund at the Strategic Planning Meeting.</p>	<p>A MOTION was made and seconded (E. Nottingham / L. Lucero) to authorize an amendment to the Participation Agreement with BDFC, funding an additional \$25,000, contingent upon:</p> <ol style="list-style-type: none"> 1) BDFCs approval/funding of the increase in loan funds requested by Borrower, and 2) receipt of an updated credit memorandum with regard to the amendment requested. <p>Approved 6-0 -1. (1 abstention: A. Weinstein).</p>

<p>7. Status Report related to development of the Request for Qualifications/Request for Proposal (“RFQ/RFP”) or other process related to the potential development of Block 174 and/or Block 175 and request for resolution for any actions related thereto. Pursuant to Arizona Revised Statutes Section 38-431.03(A)(1)(3) and/or (4), the Board may vote to recess and meet in executive session for the purpose of discussion or consultation with and to provide direction to the Board’s legal counsel in connection with this item. Any action taken by the Board regarding this matter will be taken in open meeting session (either at this meeting or at a later date) after the adjournment of the executive session.</p> <p>A. Weinstein stated that in order to avoid any appearance of impropriety, he will recuse himself from discussions related to the development of the RFQ/RFP or any other process related to the potential development of Block 174 and/or Block 175.</p> <p>Mr. Weinstein then left the meeting.</p> <p>G. Molenda reviewed a revised draft of the RFP with revisions made based on comments received as a result of the April 14, 2015 Predevelopment “Listening” Session. Mr. Molenda noted that not all comments were incorporated as some of the comments fall into the Authority’s policy range and requires discussion and input from the Authority’s Board of Directors.</p> <p>Mr. Molenda reviewed the changes to the RFP as follows:</p> <ul style="list-style-type: none"> • Schedule: Dates were changed and includes a date for pre-proposal conference. • Table of contents: Added Exhibit G - Authority’s Mission & Goals. • Added clarification that the Authority is a public enterprise and therefore subject to the Arizona Antiquities Act, with regard to mitigation of known archeological features located on the property. • Summary of process contains a description of the overall process; legal review is required pertaining to “public record” and “confidentiality”. • Added site plan should include surrounding context. • Added an affirmative statement regarding Antiquities Act and that it is the intent of the Authority to require full and appropriate mitigation of archeological clearance including obtaining any local approvals required as a condition of sale or other disposition of the property. • Deleted verbiage regarding natural disasters. • Added paragraph asking Proposers to clarify/clearly describe proposed development and how it will support/enhance neighborhood and downtown Tucson. • Added language regarding mixed income housing (intended users and the non-profit owner developer). • Removed sentence: “The Authority will not be providing any economic assistance for this project”; refer Proposers to the City of Tucson for Economic Assistance Programs. • Submit electronic copy (pdf) via email to the RFP Representative. • Simplified Phase I requirements and discussed time frame for Phase II. 	<p>No action taken.</p>
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<ul style="list-style-type: none"> • Discussed and made changes to “Scoring”. • Evaluation Committee will include the Authority’s Board of Directors, a Neighborhood Representative, and/or others at the discretion of the Authority. • Include parking inventory with hours of operation <p>After review of revisions to the RFP, M. Robinson reviewed comments received via email from individuals and the El Presidio Neighborhood Association. Discussion ensued.</p> <p>Next Steps:</p> <ul style="list-style-type: none"> • Legal Review. • Final approval at next Regular Meeting - June 11, 2015. • Post to Authority’s website on or about June 17, 2015. 	
<p>8. Status report by the Authority’s Advisor concerning the Authority’s financial performance through the Authority’s 3rd quarter ending March 31, 2015, including a comparison of budget to actual results.</p> <p>G. Molenda reviewed the internally prepared financial statements including the Balance Sheet at May 31, 2015, and Profit & Loss Statement through May 31, 2015 noting that the income and expenses are tracking with budget with the exception of:</p> <p>Income:</p> <ul style="list-style-type: none"> ➤ \$100,000 distribution received from the Pima Tucson Homebuyer’s Solution Program. <p>Expense:</p> <ul style="list-style-type: none"> ➤ \$10,000 sponsorship contribution for the Christopher Carroll Park Project. <p>These figures did not include the \$50,000 that the Authority received the day of the meeting from the PTHS program.</p>	<p>No action taken.</p>
<p>9. President’s Report: Brief Summary of current events, including items brought to the President’s attention or matters that required handling by the President since the last meeting, including: the scheduling of a Special Meeting for the purpose of conducting a Board of Directors’ Planning Session / Retreat.</p> <p>M. Robinson stated that it is time to schedule the annual Strategic Planning Meeting (“Meeting”) aka Board Retreat. K. Valdez will forward an email with potential dates prior to the end of June. Items to be discussed at the Meeting include: election of officers, and annual contracts.</p>	<p>No action taken.</p>
<p>10. Call to the audience There was no one in the audience who wished to address the Authority.</p>	<p>No action taken.</p>
<p>11. Adjourn</p>	<p>A MOTION to adjourn was made and seconded (L. Lucero / J. Clinco) to adjourn the meeting at 5:14 p.m. Approved 5-0.</p>

Submitted by:

Karen J. Valdez
Business Development Finance Corporation

Approved by:

Marilyn Robinson, President
The Industrial Development Authority of the
City of Tucson, Arizona

